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SUBJECT: STUNNING ECONOMIC GROWTH IN QATAR; LITTLE TRICKLES DOWN

Ref: Doha 443  
2007 Doha 1043

KEY POINTS:

-- Qatar's economy continued its impressive growth in 2007, though at a slower rate than the previous year. Recently released official figures indicate a nominal GDP of USD 72.2 billion, a 25.1% increase (compared to a 33.7% growth rate in 2006).

-- Real GDP numbers are still unavailable but unofficial estimates point to 8-9 percent growth in 2007.

-- The country's balance of payments continues to improve, with a USD 17.3 billion surplus in 2007, representing a three-fold growth over the previous year.

-- The major downside risk to the economic outlook is continued upward pressure on inflation.

COMMENT: High energy prices, expanding Qatari oil and gas production, and ongoing diversification efforts will further boost Qatar's economic growth in the years ahead, cementing Qatar's place as one of the world's richest countries. Qatar's GDP per capita - often touted as one of the highest in the world - is now estimated at a record level of USD 72,444. However, given the large expatriate labor population and concentration of wealth among Qataris - who account for only one-sixth of the country's estimated 1.7 million residents - GDP per capita figures reveal little about overall wealth of the resident population. Moreover, as highlighted in reftels, Qatar's high rate of inflation shows no sign of abating, continuing to squeeze the majority of the country's residents who are not lucky enough to benefit from government largesse.

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Hydrocarbons Still Dominate Economy,  
but Other Sectors Growing  
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¶1. The Qatar Statistics Authority (QSA) recently released data on Qatar's economic performance in 2007:

-- The Oil and Gas Sector contributed 56% of GDP at USD 40.1 billion, a 23.7 percent increase from 2006.

-- The 44 percent of the economy classified as non-oil and gas contributed USD 32.1 billion and registered a 26.8 percent increase from 2006.

The leading non-hydrocarbon sectors of the economy are:

-- Manufacturing: 7.3 percent

-- Finance, insurance, real estate and business services: 5.8 percent

-- Building and construction: 5.6 percent

-- Trade, restaurants and hotels: 4.5 percent

Driven mainly by soaring prices for real estate and food staples, inflation increased to 13.8 percent in 2007 up from 11.8 in 2006 and

8.8 in 2005.

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Balance of Payments Improves Three-Fold  
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¶2. Qatar's Balance of Payments improved significantly in 2007 on the back of strong exports and high commodity prices, generating a USD 17.3 billion surplus, a three-fold increase over the previous year. Besides the strong growth in hydrocarbon exports in recent years, imports increased rapidly due to major infrastructure, industrial, education, and tourism projects. Government-owned Qatar National Bank (QNB) reported that Qatar's exports have grown by 214 per cent between 2003 and 2007 while imports grew by 355 per cent during the same period. The bank forecast Qatar's export growth to remain steady this year, increasing by about 15 per cent to reach USD 48.3 billion.

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Momentum Remains Strong in 2008  
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¶3. Preliminary QSA figures for the first quarter of 2008 indicate a 54 percent increase in nominal GDP to USD 23.1 billion, compared to USD 15 billion for the same period in 2007. Given high commodity prices and Qatar's increasing oil and gas production, the economy is likely to retain strong momentum in 2008.

-- Qatar's oil production currently averages about 840,000 barrels per day (bpd), compared to 819,000 bpd in 2007 and 810,000 in 2006. (Note: U.S. companies have been key partners in using technology to increase production and extend the life of Qatar's existing oil fields.)

-- Liquefied Natural Gas (LNG) exports may exceed 40 million tons by the end of 2008 compared to 27.4 million tons last year and 25.1 million tons in 2006.